

# Does Membership in a Regional Preferential Trade Arrangement Make a Country More or Less Protectionist?

*Faezeh Foroutan*

It seems participation in a regional trade agreement does not necessarily lead to a more liberal import regime.



## Summary findings

Foroutan explores whether a systematic relationship exists between a developing country's participation in a preferential regional trade agreement (RTA) and the restrictiveness of its trade regime.

The motivation for her study is provided by the current debate about whether regional trading blocs are a stepping-stone toward a more liberal global trading system and whether these blocs have changed over time so that the "new" blocs differ meaningfully from the "old" ones in terms of openness to the rest of the world.

She restricts analysis to reciprocal RTAs involving developing countries in partnership either with industrial

countries (North-South RTAs) or with other developing countries (South-South RTAs).

Nearly every developing country belongs to one or more RTAs, so Foroutan develops criteria for distinguishing effective from noneffective regional blocs. She then taps into many sources of data to compare levels of restrictiveness.

She finds no evidence that participation in a regional trade agreement necessarily leads to a more liberal import regime.

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This paper — a product of International Trade, Development Research Group — is part of a larger effort in the group to study preferential trade issues. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Lili Tabada, room MC3-333, telephone 202-473-6896, fax 202-522-1159, Internet address ltabada@worldbank.org. March 1998. (34 pages)

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**Does Membership in A Regional Preferential Trade Arrangement  
Make a Country More or Less Protectionist?**

Faezeh Foroutan

I am grateful to L. Alan Winters patiently reading and painstakingly commenting on every aspect of this paper. I also wish to express my gratitude to Maurice Schiff for his useful comments on an earlier draft of the paper. Finally, I wish to thank World Bank's regional chief economists for reading and clearing the paper.



## Foreword

As regional trading arrangements (RTAs) have spread, enlarged and deepened over the last decade, they have posed challenges to economists on both intellectual and policy levels. On the former, do RTAs stimulate growth and investment, facilitate technology transfer, shift comparative advantage towards high value-added activities, provide credibility to reform programs, or induce political stability and cooperation? Or do they, on the other hand, divert trade in inefficient directions and undermine the multilateral trading system?

The answer is probably “all of these things, in different proportions according to the particular circumstances of each RTA.” This then poses the policy challenge of how best to manage RTAs in order to get the best balance of benefits and costs. For example, should technical standards be harmonized and, if so, how; do direct or indirect taxes need to be equalized; how should RTAs manage their international trade policies in an outward-looking fashion?

Addressing these issues is one important focus of the international trade research program of the Development Research Group of the World Bank. It has produced a number of methodological innovations in the traditional area of trade effects of RTAs and tackled four new areas of research: the dynamics of regionalism (e.g., convergence, growth, investment, industrial location and migration), deep integration (standards, tax harmonization), regionalism and the rest of the world (including its effects on the multilateral trading system), and certain political economy dimensions of regionalism (e.g., credibility and the use of RTAs as tools of diplomacy).

In addition to thematic work, the program includes a number of studies of specific regional arrangements, conducted in collaboration with the Regional Vice Presidencies of the Bank. Current and continuing work includes studies of several EU-Mediterranean Association Agreements, a joint program with the staff of the Latin American and Caribbean Region entitled “**Making the Most of Mercosur**,” ASEAN Enlargement, and the Cross Border Initiative in Africa.

Regionalism and Development findings have been and will, in future, be released in a number of outlets. Recent World Bank Policy Research Working Papers concerning these issues include:

Glenn Harrison, Tom Rutherford and David Tarr, “Economic Implications for Turkey of a Customs Union with the European Union,” (WPS 1599, May 1996).

Maurice Schiff, “Small is Beautiful, Preferential Trade Agreements and the Impact of Country Size, Market Share, Efficiency and Trade Policy,” (WPS 1668, October 1996).

L. Alan Winters, “Regionalism versus Multilateralism,” (WPS 1687, November 1996).

Magnus Blomström and Ari Kokko, “How Foreign Investment Affects Host Countries” (WPS1745, March 1997)

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Valeria De Bonis, "Regional Integration and Commodity Tax Harmonization" (WPS1848, November 1997) and "Regional Integration and Factor Income Taxation" (WPS1849, November 1997)

Eric W. Bond, "Transportation Infrastructure Investment and Regional Trade Liberalization" (WPS1851, November 1997)

Ferdinand Bakoup and David Tarr, "How Integration into the Central African Economic and Monetary Community Affects Cameroon's Economy: General Equilibrium Estimates" (WPS1872, January 1998)

Other papers on regionalism produced by DECRG include:

Ahmed Galal and Bernard Hoekman (eds), Regional Partners in Global Markets: Limits and Possibilities of the Euro-Med Initiative. CEPR 1997.

Bernard Hoekman and Simeon Djankov, "Imports of Inputs, Foreign Investment and Reorientation of East European Trade," World Bank Economic Review (forthcoming)

Bernard Hoekman and Simeon Djankov, "The EU's Mediterranean Free Trade Initiative," World Economy

Bernard Hoekman and Simeon Djankov, "Effective Protection in Jordan and Egypt in the Transition to Free Trade with Europe," World Development.

Bartlomiej Kaminski, "Establishing Economic Foundations for a Viable State of Bosnia and Hercegovina: Issues and Policies".

In addition, **Making the Most of Mercosur** issued the following papers:

Alexander J. Yeats, "Does Mercosur's Trade Performance Raise Concerns About the Effects of Regional Trade Arrangements?" (WPS1729, February 1997))

Azita Amjadi and L. Alan Winters, "Transport Costs and 'Natural' Integration in Mercosur" (WPS1742, March 1997)

Claudio Frischtak, Danny M. Leipziger and John F. Normand, "Industrial Policy in Mercosur: Issues and Lessons"

Sam Laird (WTO), "Mercosur Trade Policy: Towards Greater Integration"

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Malcom Rowat, "Competition Policy within Mercosur"

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## 1. Introduction

The objective of this paper is to explore whether there exists a systematic relationship between a developing country's participation in an effective preferential regional trade agreement (RTA) and the restrictiveness of its trade. The motivation for this study derives from the current debate on a) whether or not regional trading blocs are a stepping stone towards a more liberal global trading system and b) whether or not there has been a change over time in the characteristics of such blocs whereby the "new" blocs differ meaningfully from the "old" ones in this specific respect. The analysis is restricted to reciprocal RTA's involving developing countries either in partnership with developed countries (North-South RTAs) or with other developing countries (South-South RTAs). North-South agreements in which the preferences are unilaterally granted by the former to the latter, such as the Lomé Convention or the Generalized System of Preferences (GSP), are therefore excluded.

Among developing countries, it is not easy to find many that have not been in the past or are not currently member of some kind of preferential or regional trading bloc. Virtually every country in Sub Saharan Africa and Latin America participates in at least one such grouping, and many belong to three or even more groupings. Despite this proliferation of trading blocs, however, not every bloc can be considered as being effective, in the sense of playing a significant role in shaping the trade flows and/or policies of its members. It is therefore imperative to develop criteria that allow to decide which of these blocs have been and/or are presently truly effective, in order then to compare their members' external trade regimes with those of other countries that do not participate in an effective regional groupings.

Section 2 of the paper attempts to do precisely that. It looks at intra-bloc trade shares and trade intensities of the principal RTAs involving developing countries to see if any systematic trend could be detected in the period following the formation of the blocs. The existence of such a trend together with the general knowledge of various blocs is then used to divide the countries for which data are available into two groups: those that belong or have in the past belonged to an effective RTA and those that do not. In section 3 a number of suitable indicators of trade policy are developed. Sections 4-6 proceeds to compare these indicators for the two groups of countries in order to look for any systematic differences that may exist between trade policy of the two group of countries. Section 7 contains the general conclusions of the paper. The paper also contains two appendixes. Appendix I provides a description of how trade intensities are computed. Appendix II contains a brief description of the salient characteristics of regional trade agreements (RTAs) whose expressed objective has been the promotion of trade in goods and services (including factor services) via preferential treatment accorded to partners. The survey covers only the RTAs involving developing countries, whether in partnership with other developing countries or with industrialized countries, so long as the arrangements are reciprocal. Thus, agreements that grant unilateral preferences to developing countries such as the Lomé convention and GSP are not considered.<sup>1</sup>

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<sup>1</sup> For a recent survey of regional groupings see Harmsen and Leidy (1994).

## 2. Classification of Regional Groupings

A partial criterion for discerning effective blocs from non-effective ones is to look at the liberalization of intra-bloc trade in goods and services (including factor services) in comparison with barriers to trade with third countries. This exercise requires accurate knowledge over a relatively long period of time of the effective implementation of trade agreements signed by each partner and appropriate data and information may not always be readily available. However, to the extent that effective intra-bloc trade liberalization leads to a relatively more rapid trade expansion with partners, another criterion for assessing the effectiveness of PTA is provided by the pattern over time of intra-bloc trade shares and trade intensities. An expansion of trade among partners beyond the level that would have occurred in the absence of an agreement is a potential indicator of effectiveness. This approach has the advantage of relying on trade data that are much more readily available than information on intra-bloc trade liberalization. Ideally, such a criterion requires some kind of a model, which would measure the "counterfactual" trade and compare it to the existing level for each grouping. One such model widely used in the literature is the so-called "gravity model."<sup>2</sup> Because the construction and estimation of such a model for all the groupings examined here goes beyond the scope of this paper, a regional grouping is judged as effective if the data reveal that the share and/or intensity of intra-group trade in the years following the formation of the group is significantly larger than in the years before, and if there is enough evidence from the literature to believe that the increase in trade shares/intensities is not a pure statistical artifact (e.g. arising from a declining share in world trade) but rather the result of a genuine increase in intra-bloc trade flows.<sup>3</sup>

This is of course a rough criterion. For instance, the very expectation of a positive trade deal may already boost the flow of trade between potential partners even before any formal agreement is signed (e.g. the US-Israel FTA and NAFTA); or the agreement may be quite important for one or two members of a FTA (usually small compared to the group as whole) but not for others. In the case of several groupings in Africa, for instance, the agreements appear to be significant for one or two net exporting countries, especially if only manufactured trade is considered, but not for the group as a whole. This appears to be the case for Cameroon in UDEAC, Cote d'Ivoire and Senegal in CEAO/UEMOA, Kenya and Zimbabwe in PTA/COMESA.

Similarly, partners in a particular grouping may be expanding their trade with each other for reasons that might be independent of the formation of the regional bloc, such as faster than average economic growth or generalized trade liberalization. It is thus necessary to purge the growth in intra-bloc trade shares of the influence of such independent factors. One way of doing so is to consider the trend in intra-bloc trade intensity alongside with intra-bloc trade shares.<sup>4</sup> If for a particular grouping both indicators show a systematic upward trend, then the

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<sup>2</sup> For a description of the gravity model see Foroutan and Pritchett (1992). For a recent application to a number of RTAs considered in the present paper see Soloaga (1997).

<sup>3</sup> In a completely different approach, Page (1996, p.2) defines a bloc as 'successful' or effective if "it survives and ..develops or evolves, in terms of its scope, of its formality, and perhaps of the number of members."

<sup>4</sup> Trade intensity indices deflate changes in the share of trade of two or more partners with one another with variations in their share in total world trade. They highlight the importance of

presumption of effectiveness of the group is enhanced. This is the approach followed in this paper. The shares of intra-group import and export trade in non-fuel products and trade intensity indices for the period 1965-95 (averaged over five-year periods) are reported in Tables 1-3.

Based upon the discussion above and the information contained in Appendix II, the following groupings are considered as effective. In Latin America these are : CACM (in the early years following its formation in 1960 and then again in the 1990s), the Andean Group, and MERCOSUR (all since the beginning of the 1990s).<sup>5</sup> Since there is a flourishing of bilateral or multilateral agreements in Latin America, the above list is likely to expand in terms of countries it covers. However, most of these new accords are just too recent for their impact on partner's trade flows to be captured by available trade data. In Africa, two groups could be considered as effective: CEAO/UEMOA, especially during its early years, and SACU. Zimbabwe, Kenya, and Cameroon can also be considered as belonging to an effective regional grouping because as net exporters they have benefited from the regional trade agreements in which they have participated, even though these agreements have had a negligible effect on the trade flows of other partners.<sup>6</sup>

Among other prominent regional groupings involving only developing countries, neither ASEAN nor GCC have thus far proved effective. In the case of GCC, the member countries' similarity of production and trade structures, as well as the their relatively open trade regimes vis-a-vis the rest of the world account for the ineffectiveness of their RTA. In the case of ASEAN, the lack of effectiveness is mostly attributable to the very limited trade concessions given to partners. The recent arrangements amongst the ASEAN members can in the future lead to faster growth of intra-group trade, but these are still being implemented and are therefore too new for their impact to be reflected in current data.

Among the North/South groupings NAFTA and Israel/US FTA are argued to be effective. The EU-Mediterranean initiative promises to have a profound impact on the whole policy environment and welfare of the participating Southern countries. However, the initiative is at its infancy for some and not yet ratified by others. It is therefore too soon for its effect to be reflected in the available data.

Before concluding this section, it is worth noting that there is another sense in which a regional grouping can be judged effective. Although a regional grouping may be judged ineffective based upon internal trade shares, in a policy sense membership to the group may prove to be quite important. This is seen in the context of two groupings in Africa (CEAO and UDEAC, see Appendix II) where it is argued that partnership in a regional bloc played a crucial role in creating an extra layer of complex and distortionary indirect taxes (including trade taxes). Because, however, the intent of this paper is to relate policy stance to regional group membership, using policy stance also as a criterion for effectiveness runs the risk of

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seemingly small changes in the trade of countries whose reciprocal trade is relatively small. For the definition of the index see Appendix I. For further discussion on the use of the intensity index see Braga et al. (1994), Frankel and Wei (1996).

<sup>5</sup> This is compatible with recent analysis of the three groupings; see Soloaga, op. cit.

<sup>6</sup> For further elaboration see Foroutan (1993).

introducing a certain circularity into the reasoning. The impact, if any, of group membership on partners' trade policy is hence ignored as a criterion for effectiveness.

### 3. Indicators of Trade Policy and Data Sources

In the absence of a unified all-comprehensive measure to gauge the restrictiveness of a trade regime, the trade policy stance of a country is ordinarily measured by a wide variety of indicators, including the incidence of non-tariff barriers (NTBs)<sup>7</sup>, such as quotas, import license requirements, domestic content requirement, and so forth; the height of tariff and para-tariff charges; a country's commitments under the GATT, including the level and share of tariff bindings; and the black market premium as a proxy for foreign exchange rationing at the going exchange rate.

However, the multiplicity of these barriers, some of which may be actually redundant, makes it exceedingly difficult to construct an ad-valorem index of trade restrictiveness that is comparable across countries and over time. For this reason some researchers have tried to construct other, more comparable measures of trade restrictiveness. For example, in a study of trade liberalization in Africa, Narasimhan and Pritchett (1993) measure the evolution of the restrictiveness of a country's import regime by comparing the gap between its actual imports and its notional demand for imports. The notional demand is computed on the basis of the country's level of income, real exchange rate and a set of pre-selected elasticities of import demand with respect to these variables. In another study Nash (1993) uses a similar approach to estimate changes in the "tariff-equivalent" of multiple restrictions on imports in a number of developing countries.

Given the very large number of countries and the long span of time, no attempt at estimating an overall index of protection is made in the present study. Rather, as many indicators of trade policy as possible are employed and for as many countries as data from a variety of sources allow. The data are summarized and reported in Tables 5-7. In these Tables the countries are classified not only according to their membership in an effective RTAs, but also by region since important differences appear to exist amongst various regions.

Table 5 reports tariff and NTB data for all developing countries for which such data are available. Columns I-IV of these Tables report the (unweighted) mean (MFN) tariff rate averaged over five-year intervals for the period 1978-94. Columns V and VI report the latest average tariff rate available together with the year to which the latest data refer. Columns VII-IX of the same Tables report additional information on the structure of protection, namely the maximum tariff rate, the number of tariff bands and total other charges on imports. Since the latter information, obtained from IMF (1994), is missing for several countries, Columns X and XI provide additional information on total charges (tariffs and other para-tariff taxes) on imports for two time periods: 1984-87 and 1991-93. The latter information is obtained from UNCTAD's Directory of Trade Regimes (1994). UNCTAD is also the source of data reported in columns XII and XIII of Table 5, which show the percentage of tariff lines affected by

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<sup>7</sup> For a comprehensive list of non-tariff barriers see UNCTAD (1994).

non-tariff barriers. The latter information from UNCTAD is not available for Africa.

The average rate of tariff refers to unweighted MFN tariff for all products. Unweighted rather than import-weighted tariff was chosen both because of data availability and because import-weighted average tariff tends to underestimate the true average protection rate. Also, the MFN tariff of a country is chosen to represent a country's general protection policy, that is, its policy towards all countries that are not in a trade arrangement with it. The choice of MFN tariff rate as opposed to, say, the average overall nominal tariff rate (i.e. the mean of tariff rates applied to third countries and partners) makes the ranking of countries by their protection rate independent of their membership in an RTA.

However, because trade with actual or potential partners for some countries belonging to an RTA is very large, Table 5 (column IX) also reports the most recent average overall tariff for countries that belong to an effective RTA. The latter is the weighted average of MFN tariff and the duty applied to partners (assumed to be zero) with 1995 import shares of third countries and partners representing the appropriate weights. This exercise was done only for the most recent year for which both tariff and trade data are available (usually 1995) for two reasons. First, because most regional arrangements, either amongst developing countries or between these and developed countries, were not really fully implemented until very recently, or are still in the process of implementation (this is particularly true for the Euro-Mediterranean Association Agreements). Secondly, tariff rates do not change very frequently so that computing the average overall tariff for more than one year would not add enough additional information to make the exercise worthwhile. Finally, although the European Union's free trade agreement with the Mediterranean countries is still in its infancy and far from implemented, given the very large volume of trade that the latter conducts with the EU, the overall hypothetical average tariff rate has nevertheless been computed for the Mediterranean countries to assess the impact of such an agreement on their overall rate of duty protection.

#### **4. Integration and the Import Regime**

What do the data reveal for various regions? Let us begin with Latin American (LAC) countries. Of the twenty LAC countries that appear in Table 5 (parts A.1 and A.2), the majority (fourteen countries in all) are classified as belonging to one or another effective RTA. Only a few small Caribbean countries and Chile, which only recently entered an FTA agreement with MERCOSUR, can be considered at the time of writing as not belonging to an effective RTA. Amongst the fourteen countries that are now members of an effective RTA, the four member countries of CACM (Costa Rica, El Salvador, Guatemala and Nicaragua), and the five member countries of the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela) have been in an effective regional grouping since the 1960s. As discussed in Appendix II, the older arrangements were initially successful at promoting intra-regional trade, albeit from a very small base in the case of Andean Pact, but ran out of steam in the wake of the debt crises of the early 1980s. The older arrangements were reinvigorated and new ones were established in the late 1980s/early 1990 with the result that all fourteen countries listed in the part A.1 of Table 5 can now be thought as belonging to an effective RTA.

The data show that the Latin American countries that are members of an effective regional arrangement are also those that have liberalized their trade regimes the most, to the point that on average, they now possess among the lowest levels of protection in developing countries. Indeed, a recent IMF survey (1994) lists these as the only developing countries (among the 45 countries considered) where the overall import regime could be classified as moderately, as opposed to highly, restrictive, with the number of countries having a restrictive trade regime falling from 11 (73 percent of the total number of Latin American countries) to only 2 (or 13 percent).<sup>8</sup>

The data in Table 5 fully support these conclusions. For example, amongst the Latin American countries, the larger ones such as Brazil, Argentina and Mexico, have at least halved their average protection rate during the 1990s. The same pattern holds true if total import charges rather than tariffs alone are considered. Similarly, these countries have drastically reduced the incidence of NTBs since the second half of the 1980s. For the 14 countries listed in the part A.1 of Table 5, the average tariff rate has declined from 31 percent in 1981-85 to 13.8 percent in 1991-94 and further to 11.5 percent in 1995; the average of total charges on imports has declined from 45 percent in 1984-87 to 14 percent in 1991-93 and the NTB coverage has fallen from an average of 40 percent of tariff lines to less than 2 percent over the same time period.

The overall tariff protection in LAC countries that belong to an effective RTA is even less considering the relatively high share of trade with partners. This is especially true for smaller countries such as El Salvador, Guatemala, Paraguay and Uruguay, which source one-third or more of their imports from regional partners. It is also true for Mexico whose imports from NAFTA account for three quarters of all her total non-fuel imports.

For LAC countries classified as not belonging to an effective RTA, recent tariff data are more scarce. Besides Chile, relatively recent data are available for only Jamaica and Trinidad and Tobago. The latest information for Guyana dates back to 1989, and for Bahamas and Haiti to even an earlier date. Any conclusion about the trend in protection in these countries is therefore partial and subject to further verification. On the basis of the available data, however, it appears that besides Chile, the other countries have not achieved the same degree of import liberalization as in the countries that belong to an effective RTA. The most recent average tariff rate in the former group of countries (20.2 percent) is twice as high as the average tariff rate in the LAC countries that belong to an effective RTA (11.5 percent).

Table 5 also reports the same data for Asian and North African countries divided into four groups: East Asia (part C), South Asia (part D), Middle East and

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<sup>8</sup> See IMF (1994), Table 2, p. 37. According to the IMF's definition, the overall trade regime of a country is defined as moderately open if average tariff is between 11 and 25 percent and the import/export coverage of QRs is 0-10 percent with high intensity or 10-25 percent with medium intensity. The latter notion is defined with reference to the "effectiveness" of QRs in restricting imports. Thus import bans or prohibitive quotas are considered as examples of high intensity QRs whereas automatic import licensing is and non-binding quotas are considered as low intensity QRs.

North Africa (part E) and the Gulf oil producers (part F). None of these countries, it is argued in Appendix II, belongs to an effective RTA. The data show that on average the South Asian countries have the highest level of protection of all the four groups, and that despite some recent liberalization in several countries, including India and Pakistan, the average rate of tariff and para-tariff protection for the region remains very high, indeed the highest among all the regional groups examined here.

In East Asia, other than Hong Kong and Singapore which, for all practical purposes, have no tariff protection, the average rate of tariff has declined substantially to a relatively moderate level of 15 percent. The average protection rate, however, is still above that in Latin American countries that are members of an effective RTA, and, starting from a lower level, the decline in the average protection level is much less dramatic than in the latter.

The Middle East and North African countries represented in Table 5 (part F) appear to have implemented the least amount of trade liberalization. Except for the recent reforms in Egypt and some degree of liberalization in the second half of the 1980s in Morocco, the average rate of protection does not decline in any other country and remains at a high level of some 27 percent in the most recent year for which data are available. The level of NTB coverage is also quite high and is expected to fall only gradually if all countries fulfill their commitments under the Uruguay Round negotiations of the GATT. Given the high volume of imports that these countries purchase from the EU, the calculations in column IX of the same Table show that if and when these countries achieve complete free trade with the EU, the impact on their overall rate of tariff protection will be quite dramatic, leading to a halving of the overall average tariff rate (from 22 to 12 percent).

The Gulf oil producing countries, as mentioned earlier, have always had rather open import regime. The recent rise in average tariff rates, most notably in Saudi Arabia, is attributable more to revenue needs than to protectionist motives.

In Africa, few countries had undertaken any noticeable import liberalization until very recently. Other than Ghana and Guinea, which according to the available data had undertaken a serious tariff reform in the second half of the 1980s, the average rate of tariff protection in all other countries remains unchanged in the 1990s. The most important reforms in African countries have occurred only during 1996, when the seven UDEAC members as well as Benin (a member of UEMOA) drastically reduced their average tariff and simplified the structure of tariff rates and other indirect taxes thereby greatly reducing the level and dispersion of the average rate of protection. Despite these reforms, however, the average rate of protection in SSA remains high, at around 22 percent with little difference between countries that are classified as belonging to an effective RTA and those that are not.

Finally, Table 5 (part B) also reports data on the three countries, Israel, Mexico and Turkey, that are in a North-South RTA arrangement. The data show that these countries have now a moderate MFN tariff rate, but that the reduction in protection occurred in the first and second half of the 1980s, respectively, in Mexico and Turkey, well before these countries had concluded any effective RTA with their respective Northern partners, namely the US and the EU. The data also indicate that

even prior to 1985 signing of the FTA with the US, Israel had a relatively moderate tariff protection.

## **5. Integration and the Uruguay Round**

Other than the average tariff, for a limited number of countries there also exist data on their commitments under the most recent Round of the GATT negotiations. These data, which are reported in Table 6, show the average level of pre- and post-Uruguay Round (UR) GATT-bound tariff rates, post-UR average applied tariff rates, and the percentage of imports which are GATT-bound. Once again the data show that countries that are classified as belonging to an effective regional scheme (all of which in Latin America) have reduced the most their post-UR bound rate (from 40.5 percent to 32.7 percent, a reduction of 19.6 percent), even though the bound rate is still significantly above the applied rate and higher than the average bound rate of the other two groups of countries reported in Table 6. The first group of countries, however, has a much higher percentage of its imports GATT-bound than the latter two groups (almost 100 percent, as opposed to 67 and 63 percent, respectively, in the other two groups) and its mean applied tariff rate is much below that in the non-regional member group (13.2 percent vs. 18.6 percent in the group of countries not member of an effective RTA, or 22 percent if Hong Kong, Macao and Singapore are excluded from the latter).

## **6. Integration and Openness**

For all countries classified as before, Table 7 shows the evolution of their degree of openness over time, measured as total imports plus exports of non-fuel products as a percentage of their GDP. To the extent that the growth in imports and exports and hence the openness of a country respond to trade liberalization, a more rapid increase in the degree of openness (which deflates growth in trade by that in GDP) indirectly bears witness to the breadth and scope of a country's trade liberalization effort. Since data on trade flows are more readily available than those on tariffs and NTBs, the information reported in Table 7 complements those in earlier Tables by providing further evidence as to which countries have liberalized the most their trade regimes.

The data demonstrate that in the first half of the 1990s the degree of openness has risen the most in the Latin American countries that belong to an effective regional scheme, the South Asian countries and the Northern African/Middle Eastern countries (about 22 percent). However, except for a few countries, most notably Mexico, the degree of openness in the 1990s in LAC was still below its very high levels in the second half of the 1970s, i.e. before the onset of the debt crisis. This is not true in the case of South Asian countries where openness appears to have gradually increased over time during the entire period considered. The same pattern is in other regions except for Africa. In the latter, openness increases in the first half of the 1990s compared to the previous five years, but despite this increase, openness in all countries with the exception of Mauritius remains well below its high levels in the second half of the 1970s.



## 7. Conclusions

The data and information collected from a variety of sources appear to indicate that, excluding those countries such as Hong Kong, Singapore and the Gulf states, which have always had a very open and liberal trade regime, the countries that are currently member of an effective RTA, namely Israel, Mexico, and Turkey which are in an effective RTA arrangement with the US and/or the EU as well as the Latin American countries that belong to an effective regional grouping are also the ones that have most radically liberalized their trade regimes in the past decade.

Does this finding supports a causality link between trade liberalization and RTA membership? The answer appears to be in the negative for at least two reasons. First, given that LAC countries are those which have both liberalized the most in recent years and also belong to effective RTAs, it is difficult to separate the LAC effect from the RTA effect. Secondly, and more importantly, over the time period considered, there are examples of both liberalizing countries that did not belong to any regional arrangements and member countries of effective RTAs that did not liberalize. Among the latter the Andean Group and CACM countries in the early years of their formation provide a good example. In the past, their participation in a regional grouping did not lead to any overall trade liberalization. In fact, it is likely that the regional arrangement was a sufficiently large obstacle to liberalization so as to induce Chile to opt out of the Andean Pact to pursue its own reform agenda. Regrettably, the tariff data in Table 5 do not go back beyond the late 1970s, when the two regional groupings had already been established for some years, so that a comparison between their pre- and post- RTA tariff is not really possible. However, the data show that the Andean and CACM countries' trade regimes were still highly protective towards the end of the 1970s and early 1980s, namely several years after their establishment. In fact, the early wave of regionalism in Latin America was inward looking and import substituting with import substitution at regional level replacing that at the national level.<sup>9</sup>

At the other end of the spectrum the data show that several countries in all regions of the world (e.g. Chile, Korea, Mexico and Turkey, to mention a few) significantly reduced their trade barriers without necessarily belonging to any trade agreement at the time they undertook their trade liberalization measures. Even in the case of LAC countries that are classified as belonging to an effective South-South RTA, a closer look at annual data (on which Table 5 is based) reveal that they undertook their liberalization effort just before the new wave of RTA revival in the early 1990s and continued thereafter. Thus Argentina's average tariff rate was reduced from about 27 percent in 1987 to 20.5 percent in 1990 and to about 10 percent in 1991, the year MERCOSUR was formed. Similarly, Brazil began reducing its average tariff rate in the second half of the 1980s, from some 50 percent in 1987 to 32 percent in 1990, 25 percent in 1991, and continuing to reduce it further in the 1990s. The data show the same pattern also in Peru, Uruguay and Venezuela, all of whom liberalized their import regimes toward the very end of 1980s.

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<sup>9</sup> See Nogues and Quintanilla (1993).

Thus, to the extent that any relation between regionalism and trade liberalism can be established, it appears that the acceptance of a liberal trade policy may be a requirement for the survival and deepening of a meaningful RTA whereas belonging to a regional scheme constitutes neither a necessary nor a sufficient condition for an open and liberal trade regime. This is particularly true in the case of (economically) small partners in a regional grouping (e.g. the developing partners in all North/South arrangements) which import heavily from their larger partners even in the absence of any formal arrangement. In effect it would be hard to believe that countries that are highly protectionist are willing to liberalize even a portion of their trade that takes place with their partners unless they embrace an altogether more open import policy.

## Appendix I: Definition of Trade Intensity Index

Trade intensity index ( $I_{ij}$ ) for country  $i$ 's exports to country  $j$  is defined as the share of country  $j$  in country  $i$ 's total exports ( $X_{ij}/X_i$ ) relative to the share of  $j$  imports ( $M_j$ ) in total world imports, net of  $i$ 's imports ( $M_w - M_i$ ):<sup>10</sup>

$$I_{ij} = (X_{ij}/X_i)/(M_j/(M_w - M_i))$$

The term  $M_i$  is deducted from the denominator to take into account that a country does not import to or export from itself. In the above formula  $i$  and  $j$  can indicate a single country or a group of countries. If  $i$  indicates a group of countries for which we desire to measure the intensity of its intra-group trade for exports, then for intra-group exports, the intensity is defined as:

$$I_{gx} = (X_{gg}/X_g)/(M_g/M_w)$$

where  $I_{gx}$  indicates intra-group export trade intensity;  $X_{gg}$  and  $X_g$  are the group's exports to itself and to the world as a whole;  $M_g$  and  $M_w$  indicate, respectively, total group's import from the world as a whole and total world import trade. In this case no adjustment is necessary in the denominator since (unlike a single country) a group does trade with itself. If, however, one desires to compare intra-trade share with the share of the group in trade with the rest of the world, then  $X_{gg}$  must be deducted both from  $M_g$  and  $M_w$  in the denominator of the equation above. This adjustment is not done in the calculations that appear in Table 3. This is of little consequence since, dealing with developing countries,  $X_{gg}$  is a relatively small number in comparison with both  $M_g$  and  $M_w$ . An import-trade intensity index can be calculated in a similar manner.

The value  $I_{ij}$  (or  $I_{gg}$ ) varies between zero and one. A value of the index greater than unity indicates that country  $i$  trades with country  $j$  more intensely than does the world as a whole. Vice versa, a value of  $I_{ij}$  less than one is indicative of a small flow of trade between  $i$  and  $j$  relative to  $j$ 's trade with the rest of the world.

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<sup>10</sup> See for example Braga et al. (1994). See also Anderson and Blackhurst (1993) for a discussion of the index and its use in regional integration context.

## Appendix II: Major Regional Trade Blocs Among Developing Countries

### North-South Agreements

Amongst the North-South agreements, all of which are considered effective in this paper, three are of particular interest in the context of this paper: The European Union (EU)'s recent Association Agreement with a number of Mediterranean countries; The North American Free Trade Agreement (NAFTA) between the US, Canada and Mexico; and the US-Israel Free Trade Agreement of 1985.

EU's Mediterranean Initiative.<sup>11</sup> Since the early years of its establishment, the European Union has concluded a large number of trade agreements with developing countries, either as a group or individually.<sup>12</sup> Until recently, however, virtually all trade agreements between the EU and the developing countries were non-reciprocal in character, namely trade preferences granted by the EU to its developing partners were not reciprocated by the latter. In contrast, the recently-launched Mediterranean initiative envisages the creation of a reciprocal free trade or association agreement between Europe and the Mediterranean Region (MR) countries,<sup>13</sup> requiring the latter to create, within a time frame of 10-12 years, a free trade area (customs union in the case of Turkey) between each of the MR countries and the EU for non-agricultural products.

So far, the agreements with Morocco, Israel, and Tunisia have already been signed and entered into force. Similarly, the Customs Union agreement with Turkey has now become fully binding. Negotiations with another three Mediterranean countries (Egypt, Jordan, and Lebanon) are at an advance stage and are expected to be concluded shortly.<sup>14</sup> Given the very large share of the EU in total trade of the MR countries, the association agreement with the EU will have a significant impact on their external trade and protection policies, not only vis-a-vis Europe, but also in respect to the US, as it is likely that before long the US would want to enter into a similar agreement with the MR countries in order to preserve its market share and strategic position. The Euro-Mediterranean Association agreements are therefore considered very effective here.

The North American Free Trade Agreement (NAFTA).<sup>15</sup> The NAFTA Treaty signed by Canada, Mexico, and the US and which entered into effect on January 1, 1994, is considered here an example of a very effective regional bloc because of its significant effect on

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<sup>11</sup> See Harrison et al. (1996), Rutherford et al. (1995), Hoekman (1996), Jbili et al. (1996), Martin (1997), Nsuli (1996)

<sup>12</sup> See EU Commission (1996).

<sup>13</sup> MR countries are Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Autonomous Territories, Syria, Turkey and Tunisia.

<sup>14</sup> For the full text of the interim Agreement with Israel see Com(95) 618 final of 29.11.1995 and the OJ L 71/96. For the agreement with Tunisia see COM(95) 235 final of 31.05.1995. For the agreement with Morocco see MA 24/10/95 - EM1.

<sup>15</sup> See Arndt et al (1996), Casario (1996), Whalley (1996).

its member countries' trade with each other, particularly Mexico's trade with the US. Data in Tables 1-3 show a considerable increase in trade shares and intensities of member countries in the 1990s, following the NAFTA negotiations. The combined share of Canada and the US in Mexico's imports and exports which stood steady at roughly two-thirds of Mexico's total (as well as non-fuel) imports and exports between 1965 and 1990, increases by almost 10 percentage points, respectively, in 1995. A similar pattern is observable in the intensity index. The latter which was roughly equal to 3.5 during the entire period from 1965 to 1990, increases by 30 percent to a value of 4.3 in the 1990s.

US-Israel FTA. The 1985 free trade area agreement between Israel and the US was the first such agreement between a developed and an industrializing country that envisaged full, reciprocal treatment of imports by both partners, albeit with some concessions to Israel. In fact, Israel was granted permission to impose extra protection for its infant industries against imports from the US. The scope of infant industry protection was, however, limited by restricting it to new industries that did not exist at the time of the signing of the agreement and by limiting its duration to twenty-four months only. Moreover, its application at any time was restricted to at most 10 percent of total imports from the US. Judging by its considerable impact on Israel's exports to the US it is considered as an effective example of a North South regional trade bloc. Israel's share of exports destined to the US market, which until 1980 had averaged around 17 percent, increases to above 30 percent in 1985-89 and remains at that level during the 1990s. The FTA agreement appears to have had a much weaker impact, if any, on Israeli imports from the US. This outcome was partly the result of Israel's obligation to extend to the EU any preferences granted to the US, and partly the result of its ability to limit these preferences to protect its infant industries

### Latin America

Attempts at regional integration and the idea of an eventual continent-wide unified economic bloc date back to before the war.<sup>16</sup> However, it was not until the 1960s when the first regional groupings were created. Despite the rhetoric of unity and integration, however, with few exceptions, these initial groupings had a limited success at achieving their objectives. Attempts at regional integration in Latin America were renewed with vigor towards the end of the 1980s, after many countries underwent a period of structural adjustment and reform. According to some estimates, between 1990 and 1994 alone, twenty-six bilateral and multilateral trade agreements were signed among Latin American countries.<sup>17</sup> Many authors refer to these initiatives as "open regionalism," or "open blocs" to distinguish them from the past experience of "closed blocs." The term loosely indicates a preferential trade arrangement that is conducive rather than contrary to integration with the world as whole in so far as (a) external barriers against third countries' imports are relatively low and do not increase (or even decline in some cases) compared to that prevailing in member countries prior to the formation of the bloc; (b) regional preferences are meant to promote exports and ready the terrain for more effective competition outside the region rather than protect import-substituting activities. Other characteristics of "open regionalism" are argued to be reliance on market forces rather than centralized industrial planning and relatively little tolerance for "special protection needs"

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<sup>16</sup> See Battaler (1995), p. 27.

<sup>17</sup> Ibid, p. 31

of member countries.<sup>18</sup>

It is widely believed<sup>19</sup> that most of the new and resurrected versions of older Latin American regional initiatives have not only been quite successful at re-orienting the region's trade towards itself, but also they hold the promise of being more sustainable and cohesive than in the past. This is due both to the more liberal trade stance of the majority of Latin American countries and the growing importance of manufacturing trade, and hence, increased intra-industry trade opportunities in the continent. To the extent that regional integration schemes that are based on intra-industry specialization and trade are associated with lower dislocation costs of factors of production than schemes based on inter-industry specialization and trade, the changes that have taken place in Latin American countries' productive and trade structures in the past three decades are now believed to be much more conducive to a lasting and cohesive regional integration than it was the case during the first wave of such initiatives in the 1960s.<sup>20</sup> Below the major Latin American RTAs are briefly reviewed.

Central American Common Market (CACM). CACM was founded in 1960 with the participation of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The objective of CACM was to establish a common market with a common external tariff. Although internal friction largely prevented the full achievement of this goal, the formation of the common market is believed to have had a significant initial impact on intra-group trade (Tables 1-3). The initial impact was, however, tapered off during the debt crises of the 1980s. In the early 1990s, under more stable political conditions and with more open economic policies in the member countries, a series of initiatives were adopted to revive CACM as a more open and liberal trading bloc. This renewed effort at integration has resulted in a dramatic growth in intra-CACM trade and trade intensity from the low levels of the post-debt crisis period

The Andean Pact. The Andean pact was established in 1969 with the participation of Bolivia, Chile, Colombia, Ecuador, Peru and Venezuela. Chile later left the Pact in 1976. The objective of the Pact was to enlarge the small domestic markets of member countries and promote their industrial development via regional import substitution.<sup>21</sup> The Pact, however, had a very limited impact on the trade orientation of its members in its initial years. Similar to CACM and reflecting the changes that had occurred in the interim at the national level, the Andean Group began a process of renewal in the late 1980s- early 1990s aimed at transforming the group into a relatively open and liberal regional bloc. These changes appear to have exerted a very strong impact on the level and intensity of their internal trade (see Tables 1-3).

Latin American Free Trade Area (LAFTA). LAFTA was founded in 1960 by Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela, with the aim of promoting the member countries' industrial growth behind regional protective barriers. In 1980 its name changed to the Latin American Integration Association or **LAIA**.

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<sup>18</sup> For a discussion on the meaning of open blocs or open regionalism see Gana (1994), Rosenthal (1994) and Salgado (1995).

<sup>19</sup> Ibid.

<sup>20</sup> See Braga, Safadi and Yeats, op. cit. for further discussion and quantification of changes in the trade and production patterns of Latin American countries.

<sup>21</sup> See Salgado (1995), p. 70-71.

Although aggregate data suggest that LAIA's internal trade has been on a marked rise in the 1990s, it should be pointed out that since all members of LAIA already belong to another grouping (ANDEAN, G-3 and MERCOSUR) all of which are sub-grouping of LAIA, the increase in intra-LAIA trade since 1990 is attributable to the formation and/or revival of these other, smaller groups within LAIA than to LAIA itself. This conclusion is supported by a more careful analysis of the data which show that once the impact of other smaller blocs is taken into account, LAIA has had no positive effect on member's internal trade with each other.

Caribbean Community and Common Market (CARICOM).<sup>22</sup> CARICOM was established in July 1973 with the participation of Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Monserrat, St. Christopher-Nevis, St. Lucia, St. Vincent and Grenadines, Trinidad and Tobago. Given the limited potential for economic integration among such economically minuscule nations with similar production and trade patterns, CARICOM appears to have had only a very limited impact on the trade patterns of its members and is not considered as an effective regional grouping in this paper.

Common Market of the South (MERCOSUR). MERCOSUR was created in 1991 as a customs union by Argentina, Brazil, Paraguay and Uruguay. Since 1996 Bolivia and Chile have become associate members of MERCOSUR by entering into an FTA agreement with its founding members. Since its creation, all MERCOSUR countries have seen a surge in the share of their internal trade that bears witness to the influence of the preferential arrangement. Based on the trend in internal trade and several recent studies on the impact of MERCOSUR in the literature,<sup>23</sup> it is taken as an example of one of the most effective regional groupings in Latin America.

### **Sub-Saharan Africa**

Together with Latin America, SSA has the highest number of regional groupings in the developing world, with often overlapping membership and objectives that vary from limited cooperation in specific areas to full fledged economic integration. Some of the regional grouping in SSA --such as the Eastern African Community which is just now being revived again, the Southern African Customs Union (SACU), and the French Franc Zone groupings--date back to the colonial era. However, most of the integration schemes were adopted after independence during the late 1960s and 1970s. In many instances, the groupings comprised countries, which had shared colonial ties to the same foreign power because the colonial ties had created a host of common institutions, a common official language, and a common currency. In other instances, the regional groupings, notably the larger ones, were more in line with the geographic proximity of the member countries.

Despite the proliferation of regional groupings in Africa, it appears from the growth of intra-regional trade shares that in most instances they have achieved little by the way of promoting regional trade integration.<sup>24</sup> Data in Tables 1-3 show that no group has been

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<sup>22</sup> For details on recent developments see CARICOM Secretariat (1995a) and (1995b). See also Lewis (1995) and Serbin (1994).

<sup>23</sup> See Yeats (1997), Braga et. al (1994), and Soloaga (1997).

<sup>24</sup> A notable exception is SACU. For details see below.

successful at elevating intra-regional trade beyond a negligible portion of Africa's total trade. The data also show that until the beginning of the 1990s the internal trade shares of almost every African grouping either remained constant or actually decreased to below their level prior to the formation of the groups. This pattern is also apparent from trade intensity indices for African groupings. For example, the intensity index for the Preferential Trade Area of Eastern and Southern Africa (PTA) during 1985-89, i.e. four years after the formation of the group, was lower than in 1975-79, i.e. five years before its formation (Table 3). During the 1990s, however, the data show a slight increase in the level, and a much bigger increase in the intensity, of intra-African trade. This result, however, is almost entirely attributable to the huge decline in the share of Africa in total world trade in the past thirty years, a trend that continued unabated during the 1990s. All groupings saw their share in total world trade decline by at least one half and more often by two-thirds of its original value (see Table 4). Now, given the definition of trade intensity (see Appendix 1), a decline in the share of trade of a group in total world trade necessarily results in an increase in trade intensity in the face of steady or less steeply declining trade shares with partners.

Based upon the above discussion and the trend over time in intra-group trade shares and intensity indices, it is argued here that most of African groupings have been ineffective. This is probably particularly true for the larger groupings such as ECOWAS and PTA. There is then some of the more recent initiatives, most notably the CBI and the renewed versions of SADC, UEMOA and UDEAC that are too new for their impact, if any, on the internal trade of the participating members to be captured by the available data. This leaves one with a few regional groupings in the continent that can have any pretense at effectiveness. Among these, SACU is the oldest and by all accounts the most effective grouping in SSA.

Although separate trade data do not exist for a long enough period for the member states separately to test the impact of SACU on their trade flows, it is by most observers accepted that the trade and revenue arrangements among SACU countries as well as their monetary arrangement has had a considerable impact on the economies of the smaller members that goes beyond their external trade. Similarly, it can be argued that the bilateral agreements between Zimbabwe with South Africa and other SACU states have been more or less effective for the former.

Amongst the remaining, older groupings there is some evidence that both CEAO and UDEAC have been to some extent "effective," not solely, or not so much, in terms of their impact on the overall internal trade shares, but also in terms of their implication for the trade policy of their member states. Until the recent attempts at renewal of the two groupings, it appears that membership to these regional arrangements added another layer of complexity and distortion to the members' trade and indirect tax systems.<sup>25</sup> Thus, in a sense, membership in these regional groupings was effective, albeit in a negative sense. Finally, and additionally, there exists some evidence from two separate sets of estimates of a gravity model<sup>26</sup> that CEAO, especially in its early years, did exercise a statistically significant impact on the level of members' trade with each other. Below the major groupings in Africa are briefly discussed.

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<sup>25</sup> Here I refer to two indirect taxes, the so-called *Taxe de Coopération regionale* in CEAO and the *Taxe Unique* in UDEAC, both of which have been recently abrogated. For details see Foroutan (1993).

<sup>26</sup> See *ibid* and Foroutan and Pritchett (1993).



Economic Community of Western African States (ECOWAS), was established in 1975 with the participation of fifteen countries: the seven members of CEAOC, namely Benin, Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger, Senegal; the three members of MRU, namely Guinea, Liberia and Sierra Leone, plus Cape Verde, Gambia, Ghana, Guinea Bissau, Nigeria and Togo. Cape Verde joined shortly thereafter. Despite its declared objective of creating an economic community, it has not to date succeeded to liberalize trade in goods, let alone factor services, among its members. In this paper ECOWAS is considered an ineffective regional bloc.

Communaute Economique de l'Afrique Occidentale (CEAO)/Union Economique et Monetaire de l'Afrique Occidentale (UEMOA). CEAOC was created by the Treaty of Abidjan in 1973 with six members: Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger, and Senegal. Benin became a member in 1984. All of the member countries except for Mauritania belong to the French franc zone and are also members of the West African Monetary Union (Union Monetaire de l'Afrique Occidentale, UMOA). Mauritania's currency is also pegged to the French franc and is convertible with CFA at a fixed parity. In early 1990s, and facilitated by the devaluation of the CFA franc in January 1994, CEAOC was replaced by a new initiative, UEMOA, intended to strengthen the process of integration amongst the members.

Union Duaniere et Economique d'Afrique Centrale (UDEAC). UDEAC was founded in 1996 by the former French West African colonies of Cameroon, the Central African Republic (CAR), Chad, Congo and Gabon. Equatorial Guinea, a former Spanish colony, acceded to the union in 1985. Alongside the wave of new regional initiatives in Africa and elsewhere, in the early 1990s UDEAC countries also launched a process of renewal of the union. Its aim was to replace the existing complex and distorted system of external and internal taxes with a simplified and transparent one, similar to the one being considered by CEAOC members.

Communaute Economique des Pays des Grands Lacs (CEPGL). CEPGL was founded in 1976 by Burundi, Rwanda and Zaire. The outbreak of civil unrest in Rwanda and Burundi, and most recently in Zaire, has stalled any progress towards economic integration.

The Common Market of Eastern and Southern Africa (COMESA)/Preferential Trade Area for Eastern and Southern African States (PTA). PTA was founded in December 1981 and by the early 1990s, its membership had expanded to eighteen countries in the region: Angola, Burundi, Comoros, Djibuti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Sudan, Swaziland, Uganda, Tanzania, Zambia and Zimbabwe. Dissatisfaction with PTA's progress and the new wave of regionalism in the continent led PTA members (joined by Madagascar and Mauritius) to draw up a new treaty establishing COMESA in December 1993. The new regional grouping became effective and replaced the PTA in December 1994.

Southern African Development Coordination Conference (SADC)/ The Southern African Development Community (SADCC).<sup>27</sup> SADCC was created in April 1980 to reduce the dependence of the region on South Africa and to seek foreign financial support for development projects that could not economically be undertaken by any one of its member

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<sup>27</sup> For recent developments see Lindeke (1996), Holden (1996).

countries individually. SADCC's original members included Angola, Botswana, Lesotho, Malawi, Mozambique, Tanzania, Zambia, Zimbabwe, and Swaziland. Namibia joined the Community in 1990, after independence. After the end of the Apartheid regime in South Africa in 1992, SADCC was replaced by SADC, yet another preferential trade grouping in the region. South Africa joined the organization in 1994.

*Southern African Customs Union (SACU)*. SACU was founded in 1910 with the participation of South Africa, and the so-called BLNS states, namely Botswana, Lesotho, Namibia and Swaziland. Namibia formally joined in 1990 after gaining political independence but as an administered territory by South Africa was always a member of the union. It is the oldest and the most integrated regional bloc in SSA.

*The Cross-Border Initiative (CBI)*. The CBI was borne at the Maastricht Conference on Africa in 1990 and is sponsored by four major multilateral organizations, including the African Development Bank, the IMF, the World Bank and the EU as an effective way of furthering the overall trade liberalization in Africa. This aim is to be achieved by encouraging the participating countries to converge toward a relatively moderate level of external protection while liberalizing internal trade among CBI partners. So far fourteen countries have endorsed the Initiative. These are Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

*Bilateral Trade Agreements In Southern Africa*. Other than the major groupings thus far considered, there exists a number of bilateral trade agreements, mainly between the Republic of South Africa on the one hand, and several of the regional countries on the other. Among the regional bilateral agreements involving South Africa,<sup>28</sup> the main ones are those with Zimbabwe, Malawi, and Mozambique. The agreement between South Africa and Zimbabwe dates back to 1964. South Africa's agreements with Malawi and Mozambique involve unilateral tariff concessions by South Africa on some imports from the latter. Finally, there are two free trade agreements between Zimbabwe and Botswana and Zimbabwe and Namibia.

### **Asia, Middle East and North Africa**

Unlike Latin America and Africa, there are relatively few trade integration schemes in Asia, none of which, it is argued here, has been effective in terms affecting the trade orientation of its members. Even in the case of the two major schemes in Asia --the Association of South East Asian Nations (ASEAN) and the Gulf Cooperation Council (GCC)--the initial motivation for their formation was more political than promotion of trade, even though in the course of time there has been a systematic move towards deeper economic integration. The two principal regional schemes, ASEAN and GCC, are briefly reviewed below. Other regional initiatives --among which the Economic Cooperation Council,<sup>29</sup> the South Asian Association for Regional Cooperation,<sup>30</sup> the Arab Common Market<sup>31</sup> and the

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<sup>28</sup> For the role of South Africa in the sub-region see Kanji (1996). For bilateral agreement with Zimbabwe see World Bank (1995).

<sup>29</sup> Currently encompassing Afghanistan, Iran, Pakistan, Turkey and the newly independent Central Asian countries of Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan

<sup>30</sup> Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.

Maghreb Union,<sup>32</sup>-- are more cooperation agreements than preferential trade arrangements and as such are not discussed any further in this paper.<sup>33</sup>

ASEAN.<sup>34</sup> ASEAN was created in 1967 with the participation of Indonesia, Malaysia, Singapore, Thailand, and the Philippines. Brunei joined the association in 1984, shortly after gaining independence. Vietnam joined the Association in July 1995. Its initial objective was to foster peaceful national development of its member states through cooperation. In 1977 a limited program of preferential trade arrangements (PTA) was first adopted by ASEAN member states., followed in January 1992, by an ASEAN Free Trade Area (AFTA). Although the share of both intra-ASEAN import and export trade has increased since AFTA's creation, it is hardly a result attributable to ASEAN's free trade arrangement since the intensity of intra-ASEAN trade actually declines over the same period.<sup>35</sup> In this study ASEAN is not considered to be an effective trade promoting regional organization.

The Gulf Cooperation Council (GCC).<sup>36</sup> GCC was established in May 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). Although events in the region played an important role in the creation of GCC, the member countries did have a long history of informal cooperation.<sup>37</sup> The rules governing economic integration of GCC partners were spelt out in the so-called Unified Economic Agreement (EA). The agreement foresaw the creation of a common market with free movement of goods and factors and a common external tariff of 4-20 percent on goods originating in third countries. So far, with few exceptions, barriers on trade among GCC members have been substantially removed, but the CET has not yet been introduced. However, the free trade agreement among the GCC countries does not appear to have had much impact on the relative share of their mutual trade. In fact, data in Tables 1-3 show that for the GCC as a whole, both intra-bloc trade shares and trade intensity indices have been declining over time. This outcome is mostly attributable to the similarity in their production and trade structure as well as to their relatively modest protection against the rest of the world

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<sup>31</sup> Formed in 1964, it comprises Egypt, Iraq, Jordan, Mauritania, Syria and Yemen and was.

<sup>32</sup> This comprises Algeria, Libya, Morocco, Tunisia and Mauritania and was established in 1989.

<sup>33</sup> For a brief summary see Harmsen and Leidy, op. cit.

<sup>34</sup> See Edwards et al (1996); ASEAN Secretariat (1995a ) and (1995b); Panagariya (1993); Frankel and Wei (1996)

<sup>35</sup> See also Frankel and Wei, op. cit.

<sup>36</sup> For a historical perspective see Peterson (1988) and Ramazani (1988). For a recent evaluation of the economies of GCC members see Sassanpour (1996).

<sup>37</sup> see Ramazani, op. cit. p. 6.

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**Table 1. Total Intra-group import trade as percentage  
of total imports, non fuel trade, 1965-95**

	<u>1965-69</u>	<u>1970-74</u>	<u>1975-79</u>	<u>1980-84</u>	<u>1985-89</u>	<u>1990-95</u>	<u>1995</u>
<b><u>LAC</u></b>							
Andean Group	1.30	2.01	2.42	3.07	3.40	7.25	10.16
CACM	21.07	22.74	19.86	20.32	11.96	12.64	14.43
CARICOM*	3.33	4.02	3.97	5.97	4.58	4.61	2.7
LAIA/Lafta	8.39	8.23	9.76	10.62	11.81	12.36	13.57
MERCOSUR	12.64	8.70	9.79	13.25	15.74	19.32	18.29
Mexico/NAFTA +	64.86	65.12	65.10	67.98	69.20	72.51	76.00
Group of Three	0.87	1.18	1.67	1.42	1.44	2.25	3.25
<b><u>EURO-Mediterranean Agreements +</u></b>							
EGYPT	32.26	30.59	40.62	43.27	40.60	37.70	34.58
ISRAEL	50.02	55.07	49.21	49.07	55.81	53.30	52.06
JORDAN	34.46	31.15	42.89	41.41	37.02	35.27	35.67
LEBANON	43.25	47.14	54.26	na	na	na	na
MOROCCO	61.32	62.13	66.22	62.75	61.81	62.03	59.34
TUNISIA	58.20	64.98	70.14	68.37	68.72	72.34	72.31
TURKEY	50.88	56.27	55.71	49.71	50.49	51.43	50.35
Israel/US FTA+	26.32	21.73	24.83	25.66	20.05	19.58	20.00
<b><u>Asia</u></b>							
ASEAN	13.70	11.23	11.02	10.95	13.35	14.76	15.81
GCC**	n.a.	2.33	4.80	2.00	4.19	na	5.0
Australia-NewZealand	5.52	7.17	6.74	6.67	6.83	7.48	7.73
<b><u>AFRICA*</u></b>							
<b><u>ECOWAS</u></b>							
CEAO/UEMOA	5.20	5.49	5.13	6.75	6.74	8.83	8.91
UDEAC	1.88	4.21	3.17	2.27	2.84	4.23	4.43
PTA/COMESA	7.92	7.32	4.54	4.76	4.38	5.00	6.22
SADCC/SADC	8.57	3.87	1.81	3.10	3.22	3.32	4.32
CBI	10.22	9.95	5.42	5.26	5.10	5.81	6.72

**Notes:**

\* African and CARICOM figures refer to total trade trade

\*\* The figure for 1995 refers to 1993

+ The import/export shares and intensity refer to The developing partner only and not to all partners.

Source: COMTRADE data base or all countries except Africa and CARICOM. IMF's DOT for the latter.



**Table 2. Total Intra-group export trade as percentage  
of total exports, non fuel trade, 1965-95**

	<u>1965-69</u>	<u>1970-74</u>	<u>1975-79</u>	<u>1980-84</u>	<u>1985-89</u>	<u>1990-95</u>	<u>1995</u>
<b><u>LAC</u></b>							
Andean Group	2.20	3.47	6.82	7.91	6.51	13.18	17.83
CACM	22.61	24.41	21.10	22.52	14.55	19.30	17.64
CARICOM*	5.22	5.96	3.89	4.90	5.45	6.37	3.72
LAIA	7.55	9.10	11.26	9.94	8.68	12.96	15.14
MERCOSUR	9.00	8.45	8.77	7.92	7.14	14.97	19.67
Mexico/NAFTA +	62.85	68.79	62.41	68.70	78.62	84.71	87.08
Group of Three	1.69	2.68	5.16	4.14	2.65	3.95	4.02
<b><u>EURO-Mediterranean Agreements +</u></b>							
EGYPT	16.88	14.38	20.16	34.64	38.33	42.25	46.71
ISRAEL	43.27	40.11	39.27	36.61	31.95	32.61	31.21
JORDAN	5.23	0.16	3.06	2.88	6.47	4.17	6.17
LEBANON	13.33	11.29	6.84	na	na	na	na
MOROCCO	73.24	69.19	65.11	59.81	59.53	62.74	61.16
TUNISIA	56.69	61.54	70.07	69.89	70.39	76.18	77.95
TURKEY	47.56	49.11	49.58	35.47	43.63	49.55	49.12
Israel/US FTA+	16.78	18.45	17.43	23.18	32.22	30.48	30.12
<b><u>Asia</u></b>							
ASEAN	22.25	19.22	17.53	18.20	17.01	20.33	23.22
GCC**	na	39.09	33.00	23.34	20.85	na	20.0
Australia- NewZealand	5.28	6.14	6.14	6.39	7.50	9.00	10.33
<b><u>AFRICA</u></b>							
<b>ECOWAS</b>							
CEAO/UEMOA	6.36	8.86	9.46	10.12	8.60	10.80	8.91
UDEAC	1.92	3.97	2.31	1.69	3.00	2.21	2.32
PTA/COMESA	7.21	7.786	7.566	6.992	5.298	6.5	7.78
SADCC/SADC	6.07	3.09	2.51	3.55	3.13	3.78	4.68
CBI	8.26	10.20	7.89	7.52	6.40	8.36	6.72

**Notes:**

\* African and CARICOM figures refer to total trade trade

\*\* The figure for 1995 refers to 1993

+ The import/export shares and intensity refer to The developing partner only and not to all partners.

Source: COMTRADE data base or all countries except Africa and CARICOM. IMF's DOT for the latter.

**Table 3. Export Trade Intensity of various regional or bilateral groupings with each other; 1965-95, non-fuel trade**

	<u>1965-69</u>	<u>1970-74</u>	<u>1975-79</u>	<u>1980-84</u>	<u>1985-89</u>	<u>1990-95</u>	<u>1995</u>
<b><u>LAC</u></b>							
Andean Group	1.3	2.8	4.4	5.9	7.8	17.4	21.5
CACM	42.7	58.6	49.6	70.5	64.5	100.8	147.4
CARICOM*	8.8	9.8	5.9	11.0	17.2	27.9	18.6
LAIA	2.2	2.6	3.3	3.4	4.0	4.3	3.8
MERCOSUR	6.1	4.5	5.3	6.7	8.6	13.3	12.0
Mexico/NAFTA+	3.1	3.6	3.6	3.5	3.4	4.3	4.4
Group of Three	0.80	1.52	2.48	1.80	1.79	1.83	1.83
<b><u>EURO-Mediterranean Agreements+</u></b>							
EGYPT	0.4	0.3	0.5	0.9	0.9	1.0	1.3
ISRAEL	1.0	0.9	0.9	0.9	0.8	0.8	0.8
JORDAN	0.1	0.0	0.1	0.1	0.2	0.1	0.2
LEBANON	0.3	0.3	0.2	na	na	na	na
MOROCCO	1.7	1.6	1.5	1.5	1.5	1.6	1.6
TUNISIA	1.3	1.4	1.7	1.8	1.7	1.9	2.1
TURKEY	1.1	1.1	1.2	0.9	1.1	1.2	1.3
Israel/US FTA+	1.1	1.3	1.4	1.5	1.7	1.9	1.9
<b><u>Asia</u></b>							
ASEAN	8.4	7.1	5.7	4.5	4.7	3.4	3.2
GCC**	na	85.9	17.0	5.7	11.9	na	11.4
Australia-NewZealand	2.2	3.1	3.6	3.6	4.4	5.9	6.7
<b><u>AFRICA*</u></b>							
ECOWAS							
CEAO/UEMOA	19.3	30.0	30.1	36.1	38.7	64.6	49.7
UDEAC	9.9	25.3	14.0	10.6	23.0	25.8	30.2
PTA/COMESA	6.4	8.8	13.9	11.8	10.7	15.6	19.9
SADCC/SADC	9.1	6.1	12.1	13.3	13.9	18.6	25.9
CBI	10.8	17.2	18.2	18.9	19.4	28.8	24.0

**Notes:**

\* African and CARICOM figures refer to total trade trade

\*\* The figure for 1995 refers to 1993

+ The import/export shares and intensity refer to The developing partner only and not to all partners.

Source: COMTRADE data base for all countries except Africa. IMF's DOT for Africa and CARICOM.

**Table 4. Total World Exports to African Regional Groupings**  
**As Percentage of Total World Exports**  
**Non-fuel trade, 1965-95**

	<u>1965-69</u>	<u>1970-74</u>	<u>1975-79</u>	<u>1980-84</u>	<u>1985-89</u>	<u>1990-95</u>	<u>1995</u>
SADCC	0.67	0.50	0.21	0.27	0.23	0.20	0.18
CEAO	0.33	0.30	0.31	0.28	0.22	0.17	0.18
PTA	1.13	0.89	0.54	0.59	0.50	0.42	0.39
ECOWAS							
CBI	0.76	0.59	0.43	0.40	0.33	0.29	0.28
<b>Total</b>	<b>2.89</b>	<b>2.28</b>	<b>1.50</b>	<b>1.54</b>	<b>1.27</b>	<b>1.08</b>	<b>1.03</b>

Source: COMTRADE data base

Table 5. continued: Average tariff and other charges in various countries divided by region/membership in an effective RTA

	Unweighted Average MFN tariff				Most recent	<-year	Maximum Tariff++	Number of Tariff Bands	Total Other Charges++
	1978-80	1981-85	1986-90	1991-94					
	I	II	III	IV	V	VI	X	XI	XII
<b>G. Africa</b>									
<b>G. 1 Countries that are not members of an effective PTA</b>									
Benin	na	48.3	41.2	40.6	11.1	96	20	4	3
Ethiopia	na	29.0	29.6	na	28.8	95	80	10	na
Ghana	na	33.3	18.8	17.0	15.0	95	25	3	na
Guinea	76.4	76.4	10.0	na	13.0	90	na	na	na
Kenya	na	41.0	40.3	29.9	19.9	95	35	4	na
Malawi	21.9	19.4	18.0	na	21.0	94	45	11	0/100
Mali	na	na	na	na	23.0	94	40/100	3	0/10
Mauritania	na	24.6	22.3	na	31.4	95	268	17	0/80
Mauritius	na	36.2	36.3	na	29.0	95	80	na	na
Nigeria	na	33.8	31.0	34.6	35.0	95	100	na	>7
Sierra Leone	na	25.8	30.9	na	21.0	95	40	3/5	na
Tanzania	na	23.9	30.0	33.0	27.5	94	40	5	na
Uganda	na	na	25.0	na	17.1	95	30	4	na
Simp. Aver.	na	35.6	27.8	31.0	22.5				
<b>G.2 Countries possibly belonging to an effective RTA</b>									
Cameroon **	28.3	28.3	32.0	18.8	18.1	96	30	4	1/20
Cote d'Ivoire	26.4	27.7	26.1	23.6	20.0	95	35	6	3
Senegal	na	5.0	13.5	12.3	35.7	95	70	5	na
South Africa	na	29.0	22.0	17.0	21.0	94	100+	>35	5/40
Zimbabwe	na	10.0	9.2	17.2	21.8	97	100	>3	15/20
Sim Aver.	na	20.0	20.6	17.8	23.3				
Overall Ave. for Africa	na	30.7	25.6	24.4	22.7				
<b>G.3 Countries in state of war</b>									
Burundi	37.9	37.9	37.0	na	37.0	88	100		
Rwanda	na	na	33.0	42.0	42.0	91	60		
Somalia	na	35.0	27.0	na	na	na	na		
Sudan	50.6	50.6	49.8	na	na	na	120		
Zaire	na	23.7	22.6	na	na	na	na		

**Notes:**

\*\* = Cameroon's numbers apply to all UDEAC.

@ = Weighted average of MFN tariff and zero tariff, with weight equal to the share of third countries and partners in total imports. This assumes zero tariff on M from partners.

& = Share of imports from partner is the sum of US (20%) and EU (53%) share in total Israel M.

\* = Indicates a recent effective RTA, i.e effective after 1990;

&& = Indicates effectiveness in the early years, i.e in the late 1960s

++ = When two maximum rates are given, the first refers to the normal maximum and the second to the rate applicable to selected items only.

na = Not available

N/A = Not applicable

**Table 5. Average tariff and other charges in various countries divided by region/membership in an effective RTA**

	Unweighted Average MFN tariff				Most recent	year	Share of partners in total M 1995	Most recent Overall tariff @ 1995	Max tariff +	No. of Tariff Bands	Total Other Charges	Mean Total Charge				NTB Coverage	
	1978-80	1981-85	1986-90	1991-9								'84-87	'91-93	'84-87	'91-93		
	I	II	III	IV								V	VI	VIII	IX	X	XI
A. Latin America																	
A.1 Countries that are members of an effective RTA																	
Argentina	*	na	31.5	24.6	10.8	9.9	95	0.23	7.6	20	8	10	40	19.4	32	0.2	
Bolivia	*	na	12.1	18.4	9.9	9.7	95	0.08	8.9	10	3	4	20	10	25	2	
Brazil	*	44.0	48.2	42.0	20.2	11.1	95	0.14	9.5	20	13	6	80	15.4	35	1.5	
Colombia	*	na	61.0	28.9	14.8	13.3	95	0.10	12.0	20	4	0	79	12	73	1.7	
Costa Rica	&&	na	21.1	18.8	13.1	11.7	94	0.13	10.2	20/27	5	1	na	na	na	na	
Ecuador	*	na	na	34.3	9.3	12.3	95	0.16	10.3	20	9	1-2	49	11	59	na	
El Salvador	&&	na	na	20.0	13.1	9.2	94	0.42	5.3	20/30	5	na	na	na	na	na	
Guatemala	&&	na	na	19.4	na	10.8	94	0.32	7.3	20/25	5	0	na	na	na	na	
Nicaragua	&&	na	na	22.1	8.0	10.7	95	0.16	9.0	na	na	5-10	na	na	na	na	
Paraguay	*	11.2	11.1	10.9	15.4	9.3	95	0.36	6.0	20	na	na	na	na	na	na	
Peru	*	29.0	29.3	41.0	17.1	17.6	95	0.09	16.0	25	2	na	na	na	na	na	
Uruguay	*	na	42.5	29.9	18.9	9.3	95	0.46	5.0	20	3	0	na	na	na	na	
Venezuela	*	na	28.0	28.9	16.0	13.4	95	0.09	12.2	20	4	0	33	17	44	2.4	
Mexico	*	na	24.8	13.9	13.3	12.6	95	0.76	3.0	25	4	1	16	17	13	4	
Unweighted Average		na	31.0	25.2	13.8	11.5			8.7				45.3	14.5	40.1	2.0	
A.2 Countries not member of an effective RTA																	
Bahamas		29.8	31.1	na	na	32.0	85	N/A	N/A	na	na	na	na	na	na	na	
Chile		na	27.5	17.0	11.0	11.0	95	N/A	N/A	11	na	na	na	na	10	0.2	
Guyana		na	na	18.7	na	20.0	89	N/A	N/A	na	na	na	na	na	na	na	
Haiti -		na	27.7	11.6	na	na	na	N/A	N/A	na	na	na	na	na	na	na	
Jamaica		na	17.0	28.9	19.8	19.3	94	N/A	N/A	30/40	7	20/50	na	na	na	na	
Trinidad & Tobago		na	na	17.2	na	18.7	95	N/A	N/A	na	na	na	na	na	na	na	
Unweighted Average		na	25.8	18.7	15.4	20.2							na	na	na	na	
B. Countries belonging to a North-South RTA																	
Mexico		na	24.8	13.9	13.3	12.6	95	0.76	3.0	25	4	1	16	17	13	4	
Israel &		na	8.0	7.1	8.3	8.3	93	0.73	2.2	na	na	na	na	na	na	na	
Turkey		na	28.9	26.9	9.0	9	93	0.50	4.5	na	na	na	42	25	na	na	
Unweighted Average		na	20.6	16.0	10.2	10.0		2.6					na	na	na	na	
C. South Asia																	
Bangladesh		na	99.9	92.7	60.5	42.0	94	N/A	N/A	75/100	10	3	na	na	na	na	
China		na	49.5	39.3	37.5	36.3	94	N/A	N/A	220	na	na	na	na	na	na	
India		na	74.3	92.7	50.4	47.8	94	N/A	N/A	85/100	> 10		143	95	100	53	
Nepal		na	22.1	21.8	16.1	16.7	95	N/A	N/A	40/110	7	na	22.6	16.1	10.7	0.7	
Pakistan		na	77.2	66.7	61.0	51.0	95	N/A	N/A	265	10	12	88	73	83	14.5	
Sri Lanka		na	36.2	27.2	25.6	24.0	95	N/A	N/A	250	4	3	40.5	29	14	4	
Average S. Asia		na	59.9	56.7	41.8	36.3							73.5	53.3	51.9	18.1	
D. East Asia																	
Hong Kong		0.0	0.0	0.0	0.0	0.0	94	N/A	N/A	na	na	na	na	na	na	na	
Indonesia		29.0	31.0	23.9	19.1	19.4	94	N/A	N/A	200	na	na	18.2	20.1	95	3	
Korea		na	23.1	16.3	10.1	7.9	94	N/A	N/A	30	na	na	25	12	9	3	
Malaysia		na	10.6	14.1	13.4	14.3	94	N/A	N/A	105	10		14.3	17.6	3.7	2.1	
Philippines		41.4	32.2	27.8	24.3	20.0	95	N/A	N/A	50/100	na	na	na	na	na	na	
Singapore		na	0.3	0.3	0.4	0.4	94	N/A	N/A	na	na	na	na	na	na	na	
Thailand		na	36.8	40.8	37.8	23.3	95	N/A	N/A	100	na	na	41.2	37.8	12.4	5.5	
Taiwan		na	29.8	14.8	na	11.2	94	N/A	N/A	na	na	na	na	na	na	na	
Aver. East Asia		na	20.5	17.3	15.0	12							24.7	21.9	30.0	3.4	
" minus HK & Singapore			27.2	23.0	20.9	16											
E. Middle East/North Africa																	
Lebanon		na	na	na	na	15.4	96	0.48	8.0	na	na	na	na	na	na	na	
Jordan		15.9	14.3	15.9	17.6	20.5	92	0.36	13.1	na	na	na	na	na	na	na	
Syria		na	14.8	12.9	na	11.0	90	N/A	N/A	na	na	na	27.5	na	36.6	na	
Yemen		na	26.0	16.2	na	16.0	87	N/A	N/A	na	na	na	na	na	na	na	
Algeria		44.4	29.6	24.6	22.9	24.8	93	N/A	N/A	60	na	na	26.1	25	68	9.5	
Egypt		na	47.4	39.7	42.2	28.3	95	0.35	18.4	800	na	na	54	na	48	na	
Libya		13.3	14.4	22.7	na	na	na	N/A	N/A	na	na	na	35	na	10	na	
Morocco		na	37.5	22.6	22.8	24.4	94	0.60	9.8	45	na	na	36.1	na	27.6	na	
Tunisia		23.8	26.3	25.8	27.6	27.0	94	0.72	7.6	41/123	na	na	27.4	30.6	na	na	
Aver. MidEast		24.4	26.3	22.5	26.6	21.7		12.2					34.4	27.8	38.0	9.5	
F. OPEC Countries																	
Bahrain		na	1.7	5.1	na	3.0	90	N/A	N/A	na	na	na	na	na	na	na	
Kuwait		na	3.7	4.2	na	4.2	86	N/A	N/A	na	na	na	na	na	na	na	
Qatar		na	1.8	4.6	na	5.0	90	N/A	N/A	na	na	na	na	na	na	na	
Oman		na	1.5	3.0	na	5.7	94	N/A	N/A	100	na	na	na	na	na	na	
Saudi Arabia /a.o		1.9	2.2	8.0	12.1	12.2	95	N/A	N/A	na	na	na	na	na	na	na	
United Arab Emirates		na	1.2	4.5	na	4.5	86	N/A	N/A	na	na	na	na	na	na	na	
Aver. OPEC		na	2.0	4.9	na	5.8							na	na	na	na	

sources for Table 5

- Columns I-IV: personal communication from Francis Ng, reflecting data from a variety of sources.
- Columns V: For the majority of countries in all regions but Africa, the source is Ulrich Reineke: "Advantages and disadvantages of uniform tariff structures for developing countries", mimeo, 1996, IECIT, using UNCTAD's TRAINS data base. When the source is Reineke, the latest year is normally 1995. For a few countries for which 1995 data were unavailable, the source is IMF (1994): International Trade Policies, The Uruguay Round and Beyond, vol 2, Table 6, p. 48. These reflect data available by 1994. Finally, for a few countries for which the latest information refers to 1996 or beyond, the source is staff estimates of IECIT, based on customs data collected for the specific country. This is the case for Cameroon, Benin, Zimbabwe, and Lebanon. For the latter the source is Will Martin (1996): "Assessing the Implications for Lebanon of Free Trade with the European Union". For the African countries, the source for column V (as well as for columns X-XII) is estimates by IMF staff based on a number of different sources.
- Column VIII is computed from data in COMTRADE data base and shows the share of partners in total non-fuel imports of countries that are classified as belonging to an effective RTA.
- Column IX is a weighted average of the most recent MFN tariff in column V and naught (assuming trade among partners in an "effective" regional grouping to be completely duty-free) with weights representing the share of the rest of the world and partners in the indicated country's total imports.
- Columns X-XII are also based on IMF (1994), op. cit. and/or Reineke, op. cit.
- Columns XIII-XVI are based on UNCTAD (1994): Directory of Trade Regimes, Geneva.

Table 6: Uruguay Round Liberalization Indicators of Trade regime in Developing Countries

	Post UR applied rate. sim. aver.	Pre-UR bound rate IMF 1/ weighted	Post-UR bound rate IMF1/ weighted	Post-UR Bound rate sim. aver.	GATT-Bound Post-UR all goods	% of imports bound above applied rate	Most recent average tar. sim. aver	<-(year)
	I	II	III	IV	V	VI	VII	VIII
<b>a. Countries that are member of an effective RTA</b>								
Argentina	11.3	38.2	30.9	30.9	100	99.8	9.9	1995
Brazil	15.6	40.7	27	29.5	100	71.8	11.1	1995
Colombia	11.4	44.3	35.3	35.5	100	97.6	13.3	1995
costa rica		54.9	44.1				11.7	1994
El Salvador	13.5	34.5	30.6	37.4	97.8	96.8	9.2	1994
Mexico	13.4	46.1	33.7	34.7	100	97.5	12.6	1995
Peru	15.9	34.8	29.4	29.7	100	98.3	17.6	1995
Uruguay	9.4	20.9	30.9	30.7	100	84.9	9.3	1995
Venezuela	15.3	50	31.1	33.3	100	89.9	13.4	1995
<b>Average</b>	<b>13.2</b>	<b>40.5</b>	<b>32.6</b>	<b>32.7</b>			<b>12.0</b>	
% reduction in bound rates		-19.6						
<b>b. Countries that are members of a semi-effective RTA</b>								
Australia	10.4	20.1	12.2	12.1	97.2	30.1	9.8	1993
New Zealand	10.0	23.8	11.9	14.2	100.0	42.3	8.8	1993
Senegal	12.8			15.9	58.3	25.4	35.7	95
Zimbabwe	9.2			48.6	14.7	5.9	21.8	97
<b>Simp. Aver.</b>	<b>10.6</b>	<b>22.0</b>	<b>12.1</b>	<b>22.7</b>	<b>67.6</b>		<b>19.0</b>	
<b>c. Countries that are not members of an effective FTAs</b>								
Chile	11	34.9	24.9	25	100	99.7	11.0	1995
Hong Kong	0	0	0	0	27.9	0	0.0	1994
Jamaica	19.6	16.5	50	54.9	100	100	na	na
India	45	71.4	32.4	41.4	58.5	16.5	56.3	1992
Indonesia	18.3	20.4	36.9	39.4	93.4	88.5	19.4	1994
Korea	11.5	18	8.3	13.3	83.2	5.7	9	1992
Macao	0	0	0	0	20.8	0	na	na
Malaysia	13	10	9.1	16.3	77.4	30.6	14.3	1994
Philippines	24.4	23.9	22.5	24.5	60.6	16.6	20.0	1995
Singapore	1.3	0.4	5.1	7.1	66	43.9	0.5	1994
Sri Lanka	26	28.6	28.1	35.9	26.7	9.3	24.1	1995
Thailand	27.6	35.8	28.1	26.8	64.3	8.3	23.1	1995
Tunisia	27.6	28.3	40.2	45.7	67.9	46	30.0	1992
Turkey	na	25.1	22.3	19.3	45.1	3.2	9.5	1993
<b>Simp. Average</b>	<b>17.3</b>	<b>22.4</b>	<b>22.0</b>	<b>25.0</b>	<b>63.7</b>		<b>18.1</b>	
"-HK, Macao & Sin	<b>22.4</b>						<b>21.7</b>	
% reduction in bound rate, IMF = 0								

Source:

Col. i-iii and columns v-vi from M. Finger et al. (1995): The Uruguay Round : tatistics on Tariff Concessions Given and Received;  
Col. ii-iii, IMF; col vii and viii, Table 5

**Table 7: The Evolution of Openness in Various Countries**  
Openness = (Total Exports+Imports minus fuels) / GDP

	1965-69	1970-74	1975-79	1980-84	1985-89	1990-94
<b>A. Latin America</b>						
<b>I. Countries belonging to an effective RTA</b>						
Argentina	0.09	0.10	0.16	0.15	0.12	0.11
Bolivia	0.35	0.41	0.56	0.37	0.26	0.36
Brazil	0.09	0.12	0.13	0.13	0.12	0.13
Colombia	0.18	0.21	0.25	0.20	0.22	0.29
Costa Rica	0.48	0.52	0.56	0.57	0.53	0.62
Ecuador	0.25	0.31	0.32	0.21	0.27	0.36
El Salvador	0.41	0.45	0.56	0.37	0.36	0.30
Guatemala	0.30	0.31	0.36	0.26	0.27	0.31
Nicaragua	na	na	na	na	na	na
Paraguay	0.42	0.36	0.38	0.17	0.19	0.27
Peru	0.25	0.21	0.23	0.20	0.21	0.19
Uruguay		0.44	0.48	0.34	0.44	0.41
Venezuela	0.15	0.16	0.22	0.14	0.19	0.24
Mexico	0.10	0.09	0.10	0.12	0.18	0.27
Sim. Aver.	0.24	0.28	0.33	0.25	0.26	0.30
Sim. Aver.- Mex.	0.25	0.30	0.35	0.26	0.26	0.30
<b>II. Countries not member of an effective RTA*</b>						
Bahamas	0.47	2.16	8.06	4.28	2.06	1.11
Guyana	0.97	1.02	1.27	1.13	1.06	1.71
Jamaica	0.54	0.57	0.61	0.76	0.68	0.83
Trinidad & Tobago	1.18	1.33	1.23	0.81	0.56	0.64
Sim. Aver.	0.79	1.27	2.79	1.74	1.09	1.07
<b>Countries belonging to an effective North-South RTA</b>						
Mexico	0.10	0.09	0.10	0.12	0.18	0.27
Israel	0.36	0.37	0.50	0.46	0.49	0.47
Turkey	0.10	0.13	0.11	0.19	0.25	0.22
<b>South Asia</b>						
Bangladesh	na	na	0.16	0.18	0.17	0.20
China	na	na	na	0.21	0.31	0.39
India	0.08	0.07	0.10	0.09	0.10	0.13
Nepal		0.04	0.09	0.15	0.19	0.22
Pakistan	0.22	0.20	0.23	0.23	0.25	0.29
Sri Lanka	0.36	0.27	0.40	0.48	0.45	0.57
Simple Av.	0.22	0.14	0.20	0.22	0.25	0.30
<b>East Asia</b>						
Hong Kong	1.15	1.08	1.17	1.23	1.44	1.45
Indonesia	0.15	0.19	0.19	0.19	0.24	0.33
Korea	0.28	0.41	0.50	0.54	0.56	0.47
Malaysia	0.63	0.62	0.70	0.72	0.88	1.35
Philippines	0.24	0.31	0.34	0.32	0.35	0.47
Singapore	1.75	1.61	2.13	2.24	2.52	2.51
Thailand	0.29	0.29	0.35	0.37	0.49	0.64
Taiwan	0.39	0.33				0.84
Simple Av.	0.61	0.60	0.77	0.80	0.93	1.01
" minus HK & Singapore	0.33	0.36	0.42	0.43	0.50	0.68
" minus HK, Sing, Mal.	0.27	0.31	0.34	0.35	0.41	0.55
<b>Middle East and North Africa</b>						
Jordan	na	na	na	0.58	0.51	0.72
Syria	na	na	na	na	na	na
Yemen	na	na	na	na	na	na
Algeria	0.30	0.29	0.32	0.23	0.14	0.19
Egypt	0.23	0.23	0.39	0.37	0.25	0.28
Libya	na	na	na	na		na
Morocco	0.29	0.30	0.35	0.34	0.34	0.35
Tunisia	0.32	0.31	0.43	0.47	0.50	0.62
Simple Av.	0.29	0.28	0.37	0.40	0.35	0.43



**Table 7 Continued: The Evolution of Openness in Various Countries**  
Openness = (Total Exports+Imports minus fuels) / GDP

	1965-69	1970-74	1975-79	1980-84	1985-89	1990-94
<b>Gulf Oil Countries</b>						
Bahrain	na	na	na	0.58	0.59	0.79
Kuwait	na	0.18	0.33	0.41	0.31	0.31
Qatar	na	0.20	0.29		0.29	0.33
Oman	na		0.32	0.33	0.32	0.38
Saudi Arabia	na	0.14	0.20	0.28	0.30	0.26
United Arab Emirates	na		0.41	0.27	0.33	0.37
<b>Simple Av.</b>	na	<b>0.17</b>	<b>0.31</b>	<b>0.37</b>	<b>0.36</b>	<b>0.40</b>
<b>Africa*</b>						
Benin	0.20	0.30	0.35	0.38	0.30	0.24
Ethiopia	na	na	na	0.22	0.20	0.16
Ghana	na	na	na	na	na	na
Guinea	na	na	na	na	na	na
Kenya	0.42	0.45	0.50	0.45	0.37	0.46
Madagascar	0.27	0.26	0.29	0.23	0.25	0.28
Malawi	0.45	0.50	0.57	0.49	0.51	0.57
Mauritania	0.45	0.68	0.00	0.55	0.90	0.92
Mauritius	0.56	0.71	0.85	0.80	1.03	0.98
Nigeria	na	na	na	na	na	na
Sierra Leone	na	na	na	na	na	na
Tanzania	na	na	na	0.24	0.24	0.47
Uganda	0.31	na	na	0.28	0.15	0.19
<b>Simp. Aver.</b>	<b>0.38</b>	<b>0.48</b>	<b>0.43</b>	<b>0.40</b>	<b>0.44</b>	<b>0.48</b>
<b>Countries belonging to an effective PTA</b>						
Cameroon	0.34	0.37	0.41	0.31	0.23	0.29
Cote d'Ivoire	0.57	0.57	0.59	0.60	0.55	0.58
Senegal	0.38	0.45	0.58	0.63	0.45	0.32
South Africa	na	na	na	na	na	na
Zimbabwe	0.19	na	na	0.33	0.41	0.60
<b>Sim Aver.</b>	<b>0.37</b>	<b>0.47</b>	<b>0.52</b>	<b>0.47</b>	<b>0.41</b>	<b>0.45</b>
<b>Countries in state of war</b>						
Burundi	0.19	0.20	0.28	0.26	0.27	0.32
Rwanda	0.20	0.24	0.28	0.27	0.22	0.26
Somalia	na	na	na	na	na	na
Sudan	0.29	0.29	0.24	0.26	0.13	0.23
Zaire	0.16	0.23	0.14	0.00	0.16	na
<b>Sim. Aver.</b>	<b>0.21</b>	<b>0.24</b>	<b>0.24</b>	<b>0.20</b>	<b>0.20</b>	<b>0.27</b>

Notes: \* Data refer to total trade, including fuel.

Sources: BESD for GNP and COMTRADE data base and IMF's DOT for trade data.

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